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12 July 1973

MEMORANDUM FOR THE RECORD

SUBJECT: Meeting with Bill Jones, House Government Activities
Subcommittee, on SAT

1. At his request, met with Bill Jones, Staff Director, Subcommittee on Government Activities, House Government Operations Committee, who explained that I had always leveled with him and wanted to know if I could assuage some of Chairman Brooks' apprehension concerning Southern Air Transport. Jones' pitch was:

(a) CIA had an ownership interest in SAT (he admitted it was speculation, not official information);

(b) the holders of outstanding capital stock, Brundage and McGuire, were former Federal officials and there may be a conflict of interest;

(c) McGuire, Brundage, or Williams, the buyer, may be unjustly enriched;

(d) concern over disposition of proceeds from sale of Government assets;

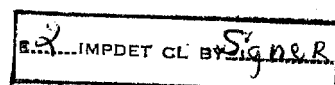
(e) unfair competition;

(f) Brooks has a legitimate interest in these matters in view of the Subcommittee's general oversight responsibilities over CAB and disposal of surplus property.

Jones said Brooks was specifically interested in (c) and (d), and (e) as it relates to (c).

2. I told Jones that we appreciated Brooks' interest and have been responsive to his request for information in the past, but he should understand that we do keep our oversight committees fully informed on all activities. With respect to any suggestion of impropriety or laxness, I said we view our statutory authority as imposing an obligation for conducting our activities in

SECRET



a manner deserving of the trust that has been imposed.

3. I told Jones that I was neither authorized nor sufficiently informed to speak to the specific facts which interested Brooks, but he pressed for such information as I could give him in light of Brooks' current and deep interest, and I told Jones, on a classified basis for Brooks' information only, that:

(a) the Agency's acquisition of SAT was for the purpose of obtaining a needed operational capability at minimum cost and it was being disposed as there was no further need to retain that capability;

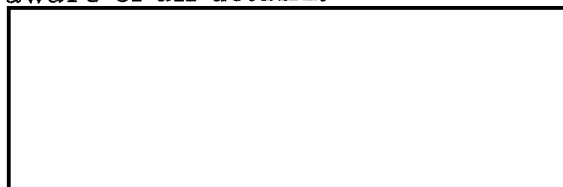
(b) the relationship between SAT and the Agency (from acquisition, during operation, to disposition) must remain secret to protect classified operations, pointing out the significant difference, diplomatically and otherwise, between speculation and official confirmation;

(c) McGuire and Brundage probably only are notionally involved, have no beneficial interests in SAT, and therefore could not benefit from its sale;

(d) an alternative to sale of the capital stock would have been liquidation of the assets that may have resulted in less return to the Government, loss of a capability for the future, and the possible loss of employment by SAT employees, to whom I assumed we felt a certain responsibility;

(e) the Agency is perfectly willing for CAB to handle the pending approval on the merits without CIA intervention and the only reason for the executive CAB hearing was to permit the Agency to explain its past interest;

(f) while I did not know the basis for the sales price, I was sure it was based on an outside independent appraisal which guaranteed a fair return to the Government, that the moneys would be appropriately disposed, and our oversight committees would be fully aware of all details.



Associate Legislative Counsel

SECRET

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SOUTHERN AIR TRANS.

AVIATION DAILY

March 5, 1973

Page

U.S./CANADA-MEXICO IATA FARE AGREEMENT REACHED

Final agreement was reached Friday on 1973 U.S./Canada-Mexico fares. Included in the next fare package, which takes effect in April, is a 40-passenger nonaffinity tariff called the advance purchase travel group fare. The fare will require a 25% nonrefundable deposit 90 days before departure. New York-Acapulco price will be \$180 roundtrip. The nonaffinity would be restricted for sale outside of Canada. Although complete details were not immediately available, sources reported that normal economy rates would be increased by varying amounts but in no instance in excess of 5%. Normal first class will be set at 140% of normal economy, resulting in slight increase on some routes.

NTSB CONCLUDES 737 HEARING, OPENS L-1011 HEARING IN MIAMI

NTSB hearing into the crash of a United 737 near Midway Airport in Chicago on Dec. 8 concluded last week in Chicago after testimony from 27 witnesses.

United training personnel said the crew would have been very busy during the final approach to Midway due to several air traffic control (ATC) directives to reduce speed to avoid an Aero Commander landing ahead. Shortly before the crash ATC told the United crew to execute a missed approach which it was attempting at the time of the accident.

NTSB investigators said they determined that the 737 flaps were set at 37 degrees when the aircraft crashed. Other witnesses testified that normal procedure for a missed approach would be to add power, rotate slightly and reduce the flap setting to 15 degrees.

EASTERN REPORTS 5.3% TRAFFIC GAIN FOR FEBRUARY

Eastern Air Lines said February revenue passenger miles in scheduled service totaled 1.39 billion, 5.3% better than in the same 1972 month. Load factor improved from 54.7% to 56.8% as available seat miles increased 1.4% to 2.4 billion. Passengers boarded totaled 2 million, up 6%. Traffic totals including charters: passenger miles, 1.43 billion, up 5.7%; available seat miles, 2.5 billion, up 1.4%; load factor, 57.1% against 54.8%; passengers boarded, 2.03 million, up 5.9%. Totals for all services for the first two months of 1973: RPMs, 2.9 billion, up 2.5%; ASMs, 5.2 billion, up 1.7%, load factor, 55.9% against 55.4%; passengers boarded, 4.1 million, up 4.4%.

SOUTHERN AIR TRANSPORT PRESIDENT TO ACQUIRE ALL OUTSTANDING STOCK

Stanley G. Williams, president, chief executive and director of Southern Air Transport, is asking CAB approval to acquire the supplemental. Under the agreement he would acquire all outstanding capital stock from Percival F. Brundage and Perkins McGuire for \$2.14 million. Williams said he would not acquire the airline unless a \$4 million bank loan is approved.

TWA FEBRUARY TRAFFIC UP 8.9%

TWA flew 1.3 billion revenue passenger miles systemwide in February, an increase of 8.9% over the same month a year ago. Domestic passenger miles were up 4.8% to 917.8 million, available seat miles gained 6.6%, and load factor was 44.2%. International passenger miles totaled 414.5 million, up 19.2%, with available seat miles up 1.1% and load factor at 44%. Domestic cargo totaled 29.4 million ton miles, up 13.8%, and international gained 4.7% to 25.8 million.

AIRBORNE AND EMERY FILE AIR FREIGHT RATE INCREASES

Airborne Freight and Emery Air Freight have filed with CAB to increase freight rates effective April 1. The companies said the increases would offset increased domestic airline costs. Airborne will increase domestic specific commodity rate by 5% at 100 pounds and -
general commodity rate by 10% at 100 pounds.